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Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------054720 260435Z /61
R 251235Z APR 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 7727
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY OTTAWA
AMEMBASSY PARIS
QMEMBASSY QUITO 105
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD
AMCONSUL DHAHRAN
USMISSION GENEVA
USMISSION USUN NEW YORK

S E C R E T SECTION 1 OF 2 ABU DHABI 1148

EXDIS

E.O. 11652: XGDS-2
TAGS: ENRG
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SUBJ: UAE VIEWS ON FORTHCOMING OPEC CONSULTATIVE CONFERENCE

REF: ABU DHABI 1010

BEGIN SUMMARY: UNDERSECRETARY ABU DHABI DEPARTMENT OF PETROLEUM
ANTICIPATES THAT TAIF MAY 6 OPEC CONSULTATIVE GROUP MEETING WILL
NOT DEAL WITH OIL PRICING, CURRENCY BASKETS FOR CALCULATING OIL

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PRICES, OR PRODUCTION LEVELS OF INDIVIDUAL OPEC EXPORTERS. FACT MEETING BEING HELD AT ALL IS FOR COSMETIC PURPOSES TO SHOW OPEC UNITY. END SUMMARY

1. ABU DHABI PETROUEUM UNDER SECRETARY ABDALLAH ISMAIL TOLD ME APRIL 25 THAT HE NOW DOUBTS THAT OPEC CONSULTATIVE GROUP MEETING IN TAIF WILL DEAL WITH ANY CONTENTIOUS ISSUES INCLUDING HIGHER OIL PRICES, CURRENCY BASKETS FOR CALCULATING OIL PRICES, OR PRODUCTION LEVELS. RECENT ANNOUNCEMENT EMANATING FROM SAUDI ARABIA THAT CONSULTATIVE GROUP WILL "DISCUSS FUTURE OPEC POLICIES" IS DELIBERATELY VAGUE AND DESIGNED TO MEET POLITICAL REQUIREMENTS OF THE SEVERAL OPEC COUNTRIES WHILE DEMT STRATING OPEC UNITY.

2. ACCORDING TO ISMAIL, REASON WHY MEETING BEING HELD AT ALL IS THE RESULT OF A SERIES OF "MISTAKES." ONE HAS BEEN TO GIVE IN A LITTLE TO VENEZUELAN OIL MINISTER HERNANDEZ, WHO IS THIS YEAR'S OPEC CHAIRMAN, REQUEST TO DISCUSS PRESIDENT PEREZ' PROPOSAL FOR THIRD WORLD DEBT RELIEF MADE AT DEC 1977 CARACAS CONFERENCE. PEREZ HAS A POLITICAL PROBLEM OF MAINTAINING HIS CREDENTIALS WITH THIRD WORLD COUNTRIES AND VENEZUELAN MINISTER HERNANDEZ HAD PRESSED TO HAVE APRIL 4 GENEVA MEETING HELD TO SAY AT LEAST THAT SUBJECT HAD BEEN DISCUSSED. SAUDIS, UAE AND OTHER OPEC COUNTRIES ARE STRONGLY OPPOSED TO IDEA AND HAD RESISTED HOLDING MEETING IN GENEVA IF THIS GOING TO BE RAISED. RESISTANCE TO GENEVA MEETING APRIL 4 HAD BEEN STRENGTHENED BY
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FACT THAT IRAQ'S RESPONSE TO PROPOSAL HOLD MEETING ON APRIL 4 HAD BEEN THAT IT WOULD ATTEND ONLY IF: (A) THERE WAS AN EXTRAORDINARY MEETING OF OPEC MINISTERS; (B) THAT CLEAR AGENDA WAS ESTABLISHED; AND (C) THAT AGENDA WOULD INCLUDE RAISING OIL PRICES AND DEALING WITH PROBLEM OF DECLINING DOLLAR.

3. WHILE THESE CONDITIONS OBVIOUSLY NOT ACCEPTABLE, ISMAIL SAID SAUDIS, IN EFFORT TO AVOID APPEARANCE OF BEING OVERLY OBDURATE, HAD MADE GESTURE OF INVITING OPEC MEMBERS FOR CONSULTATIVE MEETING IN TAIF ON MAY 4 IF EVERYONE AGREED SUCH A MEETING SHOULD BE HELD PRIOR NEXT REGULAR OPEC MINISTERIAL ON JUNE 17. THIS TIME, IRAQ HAD REACTED IMMEDIATELY BY SAYING THAT IT WELCOMED CONSULTATIVE MEETING. AS A RESULT, OTHER OPEC MEMBERS HAD GONE ALONG. ALGERIA HAD SUGGESTED THAT TAIF MEETING BE POSTPONED TO MAY 6 TO ENABLE ARAB OIL MINISTERS TO TRAVEL DIRECTLY FROM TAIF TO KUWAIT FOR REGULARLY SCHEDULED OAPEC MEETING ON MAY 9. ISMAIL SAID SAUDIS HAD ADMITTED PRIVATELY THAT OFFERING TAIF HAD BEEN A MISTAKE BUT ARE NOW STUCK WITH DECISION.

4. I MENTIONED TO ISMAIL THAT I HAD SEEN UAE OIL MINISTER UTAYBA ON APRIL 12 SEEK CLARIFICATION OF STATEMENT HE HAD MADE TO PRESS (SEE REFTEL) ABOUT CURRENCY BASKET AND PRODUCTION PROGRAMMING

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FOLLOWING HIS
SHORT VISIT TO IRAQ. I WONDERED WHETHER UTAYBA'S CURRENTY
BASKET WAS NOW UAE GOVERNMENT'S POSITION. I ALSO ASKED IF UAE
ADVOCATING MORE AGGRESSIVE POLICY TO LIMITE PRODUCTION POINTING
OUT THAT UTAYBA HAD TOLD ME THAT PRODUCTION PROGRAMMING BY
OPEC WAS NOT AT ALL WHAT HE HAD SUGGESTED. THERE WAS SURPLUS
PRODUCTION FOR OPEC COUNTRIES AND HE HAD PROPOSED THAT EACH OPEC
COUNTRY LOOK AT MARKET AND SEE IF EACH COULD EFFECT SOME RE-
DUCTIONS TO PROTECT PRICE STRUCTURE. UTAYBA HAD CALLED THIS
"MANAGED PRODUCTION" ON AN INFORMAL BASIS.

5. ISMAIL COMMENTED THAT MINISTER'S STATEMENTS ARE OFTEN CON-
FUSING. REGARDING UTAYBA'S CURRENCY BASKET, HE AFFIRMED THAT
PROPOSAL HAD BEEN REJECTED BY TECHNICAL COMMITTEE COMPOSED
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OF REPRESENTATIVES FROM FOREIGN MINISTRY, MINISTRY OF PETROLEUM,
ABU DHABI DEPARTMENT OF PETROLEUM (HE BEING ITS REPRESENTATIVE),
UAE CURRENCY BOARD AND "IMF." COMMITTEE HAD RECOMMENDED THAT UAE
NOT RAISE SUBJECT AT OPEC MEETING AND THAT IT STICK TO U.S.

DOLLAR WHOSE VALUE COMMITTEE EXPECTED TO RISE SINCE DOLLAR
CURRENTLY UNDERVALUED. REGARDING PRODUCTION, UTAYBA HAD AS EARLY
AS CARACAS CONFERENCE POINTED OUT THAT THERE WOULD BE A SURPLUS
OF ABOUT 1.8 MILLION BPD FOR OPEC COUNTRIES IN 1978. UAE HAD
REDUCED ITS PRODUCTION BY ABOUT 250,000 BPD AND YAMANI HAD SAID
8.5 MILLION BPD CEILING IN 1978 FOR SAUDI ARABIA WOULD MEAN A
REDUCTION OF ABOUT 700,000 BPD. IT WAS FOR OTHER OPEC COUNTRIES
TO DECIDE WHETHER THEY COULD, IN LIGHT THEIR OWN INTEREST ACCEPT
SLIGHTLY LOWER PRODUCTION TO BRING SUPPLY MORE OR LESS IN LINE
WITH DEMAND. SINCE SAUDIS HAD ALWAYS HAD BEEN VERY SENSITIVE
ABOUT DISCUSSING ANY PRODUCTION POLICY WITHIN OPEC, INSISTING
ALWAYS THAT THIS WAS A SOVEREIGN MATTER, HE DOUBTED VERY MUCH
THAT ANY FORM OF PRODUCTION RESTRAINTS BY INDIVIDUAL OPEC
COUNTRIES WOULD BE DISCUSSED AT TAIF. IN FINAL ANALYSIS, HE
BELIEVED TAIF MEETING WOULD HAVE NO DISCERNIBLE PURPOSE OTHER
THAN TO PROTECT OPEC UNITY. IT WAS BETTER TO MEET THAN NOT TO
MEET SINCE LATTER COULD BE MISINTERPRETED AS REFLECTING DEEP
FISSURES WITHIN OPEC STRUCTURE.

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T/AMEMBASSY JAKARTA 141
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AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD
ACONSUL DHAHRAN 651
USMISSION GENEVA
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6. AS AN ASIDE, ISMAIL MENTIONED THAT UAE LIFTINGS MIGHT NOW DROP BY AS MUCH AS 300,000 BPD IN 1978 BECAUSE AMERADA HESS HAD
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INFORMED ABU DHABI NATIONAL OIL COMPANY THAT IT COULD NOT BUY THIS YEAR'S 40,000 BPD ALLOCATION UNLESS PRICE REDUCED. AS A RESULT, ADNOC MANAGING DIRECTOR DROUHA HAD OBJECTED TO AMERADA HESS REQUEST FOR NEW CONCESSION NEXT TO ITS ARZANAH OFFSHORE FIELD WHERE THERE IS ANOTHER STRUCTURE COMPANY WANTS EXPLOIT. ISMAIL DID NOT KNOW HOW BADLY AMERIADA HESS WANTED TO DEVELOP AJOINING STRUCTURE AND WHETHER IN RETURN IT WOULD MAINTAIN ITS ADNOC LIFTING.

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7. COMMENT: IF ISMAIL'S REPORT IS CORRECT, USG SHOULD HAVE
LITTLE BE CONCERNED ABOUT AT TAIF
MEETING. ALTHOUGH UTAYBA STILL PUBLICLY TALKS ABOUT HIS IDEA
FOR CURRENCY BASKET, ISMAIL'S REPORT LEAVES LITTLE DOUBT THAT
THERE CONSIDERABLE SKEPTICISM EVEN WITHIN UAEG THAT PROPOSAL IS
WORTHWHILE. IF DOLLAR CONTINUES TO STRENGTHEN, THIS SKEPTISCISM
WILL BE EVEN STRONGER. ISMAIL HAS CONSISTENTLY BEEN KNOWLEDGEABLE
AND CANDID OBSERVER OF OPEC EVENTS. HIS VIEWS ARE NOT FOR
ATTRIBUTION AND HE SHOULD BE PROTECTED AS SOURCE.
DICKMAN

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